OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

Internal Audit of the Pinon Chapter

Report No. 25-23
September 2025

Performed by:
Heinfeld, Meech & Co.

Office of the Auditor General
The Navajo Nation

Jeanine M. Jones, CFE, MFA
Auditor General

September 22, 2025

Bill Yazzie, President
PINON CHAPTER
P.O. Box 127
Pinon, AZ 86510

Dear Mr. Yazzie:

The Office of the Auditor General, in conjunction with Heinfeld, Meech & Co., P.C., herewith transmits Audit Report No. 25-23, an Internal Audit of the Pinon Chapter. The audit objective was to evaluate the Chapter's internal controls; how well controls are designed, implemented, and operated to meet the Chapter's objectives. During the 12-month audit period ending March 31, 2025, we noted certain matters that are opportunities for strengthening internal controls and instances of noncompliance with laws, regulations and policies. The following issues were identified:

FINDING I	:	The Chapter's audits are not current and have not been issued timely.
FINDING II	:	Cash receipts were not tracked according to Chapter policies and deposits were not made timely.
FINDING III	:	The Chapter's balance sheet and income statement included negative assets, liabilities, and expenditures.
FINDING IV	:	Capital asset and depreciation records are not up-to-date resulting in incomplete reporting to the community.
FINDING V	:	American Rescue Plan Act (ARPA) funds were used to pay current employees "consulting fees" to avoid payment of employment related taxes.
FINDING VI	:	Disbursement transactions lacked supporting documentation.
FINDING VII	:	Personnel file documentation was missing or incomplete.
FINDING VIII	:	Banking activities were not administered to ensure Chapter financial activity was reviewed and properly recorded.
FINDING IX	:	Several Chapter transactions lacked proper authorization.
FINDING X	:	Travel authorizations were provided over the established amounts, and reimbursements were not in accordance with established rates.
FINDING XI	:	Federal or Chapter procurement guidelines were not adhered to.
FINDING XII	:	The Chapter did not have policies for Community or Funeral Assistance disbursements.
FINDING XIII	:	Transactions were not coded in accordance with the Chart of Accounts.
FINDING XIV	:	The Chapter is not in compliance with the Office of Navajo Tax Commission.

Detailed explanations of the audit issues can be found in the body of the report. The audit report provides recommendations for the remediation of the reported findings. If you have any questions regarding this report, please contact our office.

Sincerely,

Jeanine Jones, CFE, MFA
Auditor General

Attachment

xc: Tylee Tom, Vice President
Ramona Nalwood, Secretary/Treasurer
Sharon Begay, Chapter Manager
Germaine Simonson, Council Delegate
PINON CHAPTER
Jaron Charley, Department Manager II
Edgerton Gene, Senior Programs and Projects Specialist
ADMINISTRATIVE SERVICES CENTER/DCD
Sara Kirk, CPA, Partner
HEINFELD, MEECH & CO., P.C.
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Office of the Auditor General - The Navajo Nation
Pinon Chapter

We have completed our internal audit of Pinon Chapter for the 12-month period ended March 31, 2025. Our procedures were performed in conformity with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. In addition, our procedures were performed in conformity with *Statements on Standards for Consulting Services* of the American Institute of Certified Public Accountants and did not constitute an audit in accordance with generally accepted auditing standards. Accordingly, we expressed no opinion on the items reviewed. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As a result of the internal audit, we noted certain matters that are opportunities for strengthening internal controls and instances of noncompliance with laws, regulations and policies. Management of the Chapter should address these items to ensure it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws, regulations, and policies. Those items and our related recommendations are described in the accompanying report. The items discussed in the report are the result of audit procedures performed based on a risk-based assessment, and therefore, not all deficiencies or weaknesses in controls may have been identified.

This report is intended solely for the information and use of the Navajo Nation Auditor General's Office and the Pinon Chapter is not intended to be and should not be used by anyone other than those specified parties. However, this information is a matter of public record, and its distribution is not limited.

We would like to thank the Pinon Chapter and the Office of the Auditor General of the Navajo Nation employees for their assistance and cooperation.

Sincerely,

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
September 19, 2025

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Findings and Recommendations

Finding I: The Chapter's audits are not current and have not been issued timely.

Criteria

Fiscal Management Policies and Procedures, section VI.M.1. state the Pinon Chapter shall obtain an audit of its financial operations at least every two years and which shall include funds received from all Navajo Nation, State, County, Federal sources and other fund sources.

Condition

The Chapter became LGA certified in February 2012. The most recent audit of the Chapter was for the fiscal year ended September 30, 2017, which was issued on August 14, 2024. A qualified opinion was issued, due to a lack of internal controls over capital assets.

Advertisement of the request for proposal for professional financial audit services for the fiscal year ended September 30, 2018 was done in December 2024, but no response was received. Timely audited financial statements were not available to share with chapter stakeholders.

Effect

Due to the lack of adherence to policy, the Chapter did not receive regular feedback on the financial statements adherence to the accounting principles generally accepted in the United States (GAAP) and Government Auditing Standards (GAS).

Cause

The Chapter Manager indicated it was difficult to complete the audit and procure an auditor during the COVID-19 pandemic, which caused delays.

Recommendation

1. The Chapter Manager should reissue the request for proposal to solicit for a certified public accountant.
2. The Chapter Manager should work to obtain an audit of the most recent fiscal year and should share the results of the audit with chapter stakeholders, such as Chapter officials and community members.

Finding II: Cash receipts were not tracked according to Chapter policies and deposits were not made timely.

Criteria

Fiscal Management Policies and Procedures, section VIII.A.2.a & c, states the Administrative Assistant shall record all cash received, whether check or currency, on a two-copy pre-numbered receipt form. All cash receipts shall be recorded in ink on the cash receipt form daily, and which shall include the following: (1) the payer's name, (2) the purpose of the cash receipt, (3) the amount received, including check or money order numbers and the bank that the check is drawn on, (4) the date received, and (5) the initials and position of the person receiving the money. Additionally, Fiscal Management Policies and Procedures section VIII.A.2.h, indicates the Chapter Manager shall deposit the monies into the Chapter's bank account on a weekly basis or as practical. The Chapter Manager shall deposit all monies within ten days of receipt. Lastly, Fiscal Management Policies and Procedures section VIII.A.2.g states the Chapter Manager shall ensure that the deposit amount reconciles with the total cash receipts in the cash receipts journal.

Condition

A sample of 16 cash receipts totaling $1,213 were reviewed and the following was noted:

- Two-copy pre-numbered receipts were not utilized by the Chapter when receipting in funds. Cash receipts were entered using a cash register and summarized daily on a reconciliation sheet.
- Four cash receipts reviewed totaling $43 were not deposited into the Chapter's bank account on a weekly basis or within ten days of receipt. The funds were deposited 14-17 days after receipt.
- For one cash receipt reviewed, the amount recorded did not agree to the receipt by $20. The amount recorded in MIP was $37.60, while the amount on the daily reconciliation was $17.60.

Effect

If each individual cash receipt entered into the cash register is not documented, that reduces the audit trail when reconciling transactions and reduces accountability, which could lead to financial losses. When cash receipts are not deposited timely, financial activity reports used to make decisions will not be up to date, cash flows cannot be managed effectively and exposure to theft increases.

Cause

The Chapter Manager opted to discontinue the use of two-copy pre-numbered receipts. The lateness of deposits and deposit reconciliation issues were due to lack of monitoring and oversight by the Chapter Manager.

Recommendation

1. The Chapter's current procedures indicate a two-copy pre-numbered cash receipt should be utilized to document all cash receipts at the Chapter. If the Chapter opts to use a cash register, this change in procedure should be updated in the Chapter's fiscal policies. A Department of Justice review should be requested and after the review, the policies can be presented to the community for approval.
2. The Chapter Manager should verify that deposits occur no more than ten days after the receipt of monies.
3. The Chapter Manager should investigate and resolve any deposit discrepancies that arise in a timely manner.

Finding III: The Chapter's balance sheet and income statement included negative assets, liabilities, and expenditures.

Criteria

Fiscal Policies and Procedures section VIII states that it is the policy of the Chapter to ensure that accounting data is accurate, dependable, and compliant. Generally Accepted Accounting Principles (GAAP) indicates that refunds from prior year transactions should be recorded as revenue in the year the refund is received.

Condition

During our review of the Chapter's Balance Sheet as of March 31, 2025, the following was noted:

- The Chapter Activities General Fund included a negative Grants Receivable – County of $2,000. The negative balance was created by JV 1496 dated 10/31/2024 to reverse a receivable not recorded in the accounting records.
- The Navajo Nation General Fund contained negative Health Insurance Payable and Retirement Payable balances in the amount of $996.74 and $669.34, respectively. Chapter personnel did not reconcile payroll withholdings and payments each pay period.

During our review of the Chapter's Income Statement from October 1, 2024 to March 31, 2025, the following was noted:

- The Chapter Activities General Fund included negative Other Miscellaneous expenditures of $9,256.78. The negative balance was created by a check void transaction (VCK 568) dated 1/30/2025.
- The LGA Grant Fund included negative Vehicle Mileage Expense and Per Diem Meals of $418.87 and $59, respectively. The negative balance was created by a void check transaction (VCK 568) dated 1/30/2025 that decreased expenditures rather than increasing revenue.
- The Chapter Repair and Maintenance Fund contained negative Repair & Maintenance – Vehicles expenditures of $1,139.72. The negative balance was created by a void check transaction (VCK 568) dated 1/30/2025 and a journal voucher (JV 1524) dated 2/5/2025 that decreased expenditures rather than increasing revenue.

Effect

Monthly financial reports shared with internal and external stakeholders of the Chapter contain inaccurate financial information. Account balances were not reported in accordance with generally accepted accounting principles (GAAP).

Cause

The Chapter Manager and officials did not identify the negative balances as incorrect during the review of financial reports. The voiding of outstanding checks from 2022 were recorded in the current year as negative expenditures, rather than as revenue in accordance with GAAP.

Recommendation

1. The Chapter officials, the Chapter Manager, and the Administrative Assistant should review Balance Sheet and Income Statement line items monthly for accuracy. Negative balances should be investigated.
2. The Chapter Manager and Administrative Assistant should work with the ASC office to resolve the negative balances within the accounting records.
3. The Chapter Manager should verify that checks voided in a fiscal year subsequent to when written are recorded to a revenue account rather than as a negative expenditure in accordance with GAAP.

Finding IV: Capital asset and depreciation records are not up-to-date resulting in incomplete reporting to the community.

Criteria

Property Management Policies and Procedures section V.J. indicates all property and equipment of a value of more than $5,000 shall be capitalized and recorded in the Chapter's capital asset ledger. Additionally, Fiscal Management Policies and Procedures section VIII.F.1 indicates depreciation records shall be maintained.

Condition

No asset values have been added to the MIP module and depreciation has not been calculated since November 2019 based on a review of the Summary Asset Ledger – Fixed Asset Ledger report from MIP.

Effect

The Chapter is potentially misstating the value of total assets and is understating annual depreciation expense and accumulated depreciation. Further, the Chapter received a qualified opinion on the most recently issued audit report as the result of a lack of internal controls over capital assets.

Cause

The Chapter Manager and Administrative Assistant have not performed a detailed review of capital purchases over the last five years for reporting in the MIP asset module. Additionally, the Chapter Manager was unaware that depreciation requires periodic calculating so that the net values of assets reported in the General Fixed Assets Fund of the Balance Sheet are accurate.

Recommendation

1. The Administrative Assistant should identify capital asset purchases as initiated and enter the asset and related information into the MIP asset module. The Chapter Manager should verify updates to the MIP asset module monthly.
2. The Chapter Manager and Administrative Assistant should calculate depreciation in MIP periodically for proper Balance Sheet reporting.

Finding V: American Rescue Plan Act (ARPA) funds were used to pay current employees "consulting fees" to avoid payment of employment related taxes.

Criteria

The subrecipient agreement indicates that a subaward of fiscal recovery funds will be provided for appropriate and qualifying expenditures to execute projects or programs outlined in the Expenditure Plan approved by the Navajo Nation through Council Resolution CAP-15-23 as specified in Appendix D. Further, the agreement indicates that the subrecipient (Chapter) shall keep detailed and accurate records of all expenditures and receipts related to this agreement, including payroll records and contracts and purchase orders with contractors and vendors.

29 CFR part 795 includes regulations issued by the Department of Labor (DOL) that address how to analyze whether a worker is an employee or an independent contractor under the Fair Labor Standards Act (FLSA) for proper reporting.

Condition

The Chapter entered into a subrecipient agreement (SRA) with the Navajo Nation to accept subawards of ARPA Fiscal Recovery Funds for housing and housing renovation and repair. During the audit year, the Chapter made payments for consulting fees in the amount of $18,692 from ARPA funds to existing employees as follows:

ARPA "consulting" payments to employees - April 1, 2024 - March 31, 2025				
Full-Time Exempt Position	***Invoiced time between Chapter business hours***	***Invoiced time after Chapter business hours***		***Total***
Administrative Assistant	3,355.00	325.00		3,680.00
Chapter Manager	4,160.00	1,280.00		5,440.00
	7,515.00	1,605.00		9,120.00
Part-Time Non-Exempt Positions				
PEP - Receptionist			$	2,880.00
PEP - Contractor				6,692.25
			$	9,572.25
TOTAL			**$**	**18,692.25**

Personnel Action Forms (PAFs) were prepared and approved by the Chapter President for each employee. The payments were (1) not budgeted in the ARPA Program Budget Summary or in the MIP (2) incorrectly coded to 6724 Financial Assistance – Building Materials or 6734 Emergency Assistance – Housing, (3) not contracted properly prior to being disbursed, (4) in the case of exempt employees, resulted in duplicate pay as a portion of the invoiced time was during regular working hours the employees were already being compensated for, and (5) processed with the intent to avoid the payment of employment related taxes.

Effect

The Chapter expended ARPA funds for unauthorized purposes, which may result in a federal audit finding during a Single Audit. Costs could be disallowed and the federal government could require that funds be repaid. The Chapter is in violation of Department of Labor rules regarding employee versus independent contractor determinations and the incorrect classification may result in the Internal Revenue Service (I.R.S.) imposing penalties and holding the Chapter liable for employment taxes that should have been paid or withheld.

Cause

The Chapter Manager indicated that the receipt of ARPA funds increased the workload of Chapter employees. To avoid the payment of employment-related benefits and because unbudgeted, the Chapter Manager processed additional compensation to employees as consulting fees.

Recommendation

1. The Chapter Manager and Chapter officials should review the SRA documents prior to initiating and authorizing expenditures from ARPA funds.
2. The Chapter Manager and Administrative Assistant should obtain training on DOL guidelines for evaluating employee versus independent contractor treatment.
3. Exempt employees should be required to pay back the duplicate earnings the exempt employees were not entitled to receive.
4. The Chapter Manager and Chapter officials should review the Personnel Policies and Procedures to determine other avenues, such as a bonus, for providing additional compensation to exempt employees.

Finding VI: Disbursement transactions lacked supporting documentation.

Criteria

Fiscal Policies and Procedures section VI.D.4. indicates that the Chapter will maintain all accounting records in accordance with the Chapter Records Management Policy and Procedures Manual. Further, Fiscal Management Policies and Procedures section VIII.B.2.b&c state the Administrative Assistant shall ensure that the Fund Approval Form (FAF) indicates payment authorization and that all source documents (i.e., invoices, quotes, claim forms, timesheets and similar documents) support each fund disbursement before preparing a check for payment. Additionally, that upon receipt of goods review all invoices to ensure completeness of the transaction and that those particular goods or services have been received. Lastly, Fiscal Policies and Procedures section VIII.B.2.d states that the Chapter Manager and Secretary/Treasurer shall review the complete check with all supporting documentation before co-signing the check.

Condition

The following was noted during a review of disbursements during the audit year:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Missing Documentation	Amount
General disbursement selections totaling $34,175.23	23	For four of 23 disbursements reviewed, a vendor invoice was not maintained.	$ 532.75
		For three of 23 disbursements reviewed, it could not be determined if goods/services were received prior to payment.	12,332.75
		For one of 23 disbursements reviewed, the Chapter was unable to provide supporting documentation.	2,008.07
ARPA housing repair and renovation expenditures totaling $19,359.19	4	Chapter management established a process to evaluate recipients of ARPA housing repair and renovation funds, however the process was not approved by the Chapter via resolution. For four ARPA housing repair and renovation disbursements, assistance applications and other required documents were not provided.	19,359.19
Community and funeral assistance disbursements totaling $7,987.12	6	For two of six community and funeral assistance disbursements reviewed, a vendor invoice was not maintained.	150.00
		TOTAL	$ 34,382.76

Effect

When source documentation is not on file, the use of Chapter funds cannot be supported. Unsubstantiated purchases may result in financial losses to the Chapter. ARPA housing repair and renovation funds may have been provided to ineligible applicants.

Cause

Chapter administration did not maintain adequate records of disbursement activities. The Chapter Manager and officials did not ensure adequate supporting records were attached before signing FAFs and checks.

Recommendation

1. The Administrative Assistant should not prepare a FAF or check without verifying that all supporting documentation for the disbursement is on file (invoice, etc.).
2. The Chapter Manager and officials should verify documentation prior to signing FAFs or checks.
3. The Administrative Assistant should ensure that all documents are filed and kept according to the Chapter's record keeping policies.

Finding VII: Personnel file documentation was missing or incomplete.

Criteria

Fiscal Management Policies and Procedures section VIII.H.1.g. states personnel records on each employee shall be maintained at the Chapter administration on authorized chapter forms. These records include but are not limited to: Personnel Action Form (PAF), Employment Application Form, Employee's Federal Withholding Allowance Certificate (W-4), Copy of Social Security Card, Voluntary Deductions Authorization, Employee Performance Evaluation Form, Arizona New Hire Form, Wage Garnishments, Parental Consent Form, and Copy of voter registration. Finally, as noted in the Fiscal Policies and Procedures VIII, it is the policy of the Chapter . . . to ensure that accounting data are accurate, dependable, and compliant.

Condition

We reviewed 15 employee personnel files and noted the following:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Description
Personnel files	15	Personnel file documentation was missing or incomplete as follows: a.For 6, social security cards. b.For 1, employee's Federal Withholding Allowance Certificate (W-4). c.For 2, completed Federal Withholding Allowance Certificates (W-4). d.For 6, employee's driver's licenses or identifications. e.For 2, completed Arizona New Hire forms. f.For 2, Arizona New Hire forms. g.For 11, voter registrations. h.For 1, completed employment application. i.For 2, Alcohol & Drug Free Form, and Prohibition of Sexual Harassment and Acknowledgment forms. j.For 1, completed Alcohol & Drug Free Form, and Prohibition of Sexual Harassment and Acknowledgment form.

Effect

When personnel files are incomplete, government and legally mandated documents required by Chapter policies are not available as record of employee events.

Cause

The Administrative Assistant and Chapter Manager were not aware that the documentation was missing from the employee files or was incomplete. Checklists are not utilized by the Chapter to review documentation for completeness.

Recommendation

1. The Administrative Assistant should utilize a comprehensive checklist to ensure each personnel file contains the required documentation.
2. Personnel files should be independently reviewed by the Chapter Manager to verify all required information is included and filled out completely.
3. Chapter officials should verify comprehensive personnel files include documentation prior to signing PAFs for employees.

Finding VIII: Banking activities were not administered to ensure Chapter financial activity was reviewed and properly recorded.

Criteria

Fiscal Management Policies and Procedures section VIII.C.1.b. indicates the reconciliation shall be accomplished within one day upon receipt of the bank statement. Additionally, Fiscal Management Policies and Procedures section VIII.C.2.g. states the Administrative Assistant shall sign and date the computation and reconciliation. Finally, Fiscal Management Policies and Procedures section VIII.C.2.b. indicates the Administrative Assistant shall prepare a list of outstanding checks. If the list of outstanding checks discloses checks that have been outstanding for three months (90 calendar days) or longer, the Administrative Assistant shall delete those checks from the list of outstanding checks and shall credit the checkbook register and the fund balance ledgers by the amount of the voided checks.

Condition

The following was noted during review of the Chapter's bank accounts and reconciliations for the year:

- For 10 of 12 bank statements reviewed, the date the statement was received was not documented; therefore, it could not be determined if the reconciliation was completed within one day of receipt.
- The bank reconciliations reviewed for all 12 months were not signed.
- The outstanding check listing as of March 31, 2025 contained 14 checks outstanding for over 90 days. The checks totaled $7,158.13 with issuance dates of August 24, 2022 to December 17, 2024.

Effect

Risk of theft and misuse of Chapter resources is increased when reconciliations and financial information are not reviewed by the Chapter Manager or Chapter officials. Accounting errors or issues may go undetected and unresolved.

Cause

The Chapter Manager prints the bank statements when available online but was not aware of the requirement to document the date of receipt. The Chapter Manager and officials sign a Monthly Compliance Review Form, which includes a bank reconciliation review, but this is not completed until the month end close process. The Chapter Manager indicated that she believed the outstanding checks had already been handled by the Chinle ASC office.

Recommendation

1. The Chapter Manager should record the date the bank statements are received, as support that the reconciliations are performed within a day of the receipt of the bank statements.
2. The Administrative Assistant should ensure that reconciliations are signed and dated as prepared before sending them to the Chapter Manager for approval. The Chapter Manager should verify the bank reconciliations are signed and dated by the preparer and then review the reconciliations for completeness and accuracy and sign and date as evidence of approval.
3. The Administrative Assistant should review outstanding checks monthly and issue a stop payment if a check has been outstanding for over 90 calendar days. The Chapter Manager and Chapter officials should verify this is being performed monthly.

Finding IX: Several Chapter transactions lacked proper authorization.

Criteria

Fiscal Management Policies and Procedures section VIII.B.2.d, states the Chapter Manager shall review each fund disbursement for necessity, reasonableness and budgetary authorization. Additionally, Procurement Policies and Procedures Manual section VI.A.1.c. indicates the Chapter Manager shall approve/disapprove purchase requisitions to assure purchases are within the budget according to funding guidelines, reasonableness, and necessity.

Condition

Chapter disbursements were reviewed and the following transactions lacked proper authorization:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Lack of Approval		Amount
General disbursement selections totaling $34,175.23	23	For four disbursements reviewed, the fund approval form (FAF) was approved after the invoice date.	$	13,492.41
		For two disbursements reviewed, it could not be determined if the FAF was approved before goods/services were received.		332.75
ARPA housing repair and renovation expenditures totaling $19,359.19	4	For one ARPA housing repair and renovation disbursement reviewed, the FAF was approved after the invoice date.		5,000.00
Community and funeral assistance disbursements totaling $7,987.12	6	For four of six community and funeral assistance disbursements reviewed, the FAF was approved after the invoice date.		7,837.12
		For two of six community and funeral assistance disbursements reviewed, it could not be determined if the FAF was approved before goods/services were received.		150.00
		TOTAL	$	26,812.28

Effect

Transactions totaling $26,812 were executed without following policy. When transactions lack authorization, there is a greater risk of the misuse or misappropriation of Chapter funds.

Cause

Purchases were executed without preauthorization. The Administrative Assistant did not prepare and the Chapter Manager did not approve FAFs prior to the initiation of purchases.

Recommendation

1. The Administrative Assistant should prepare a FAF indicating the date, amount, check number, account number and fund availability.
2. The Chapter Manager should review each fund disbursement for necessity, reasonableness and budgetary authorization.

Finding X: Travel authorizations were provided over the established amounts, and reimbursements were not in accordance established rates.

Criteria

Fiscal Management Policies and Procedures section VIII.I.5. indicates the Chapter will allow travel advances up to 50% of the total estimated travel expense. Additionally, section VIII.I.8 indicates the Chapter may establish a maximum amount allowable for reimbursement for meals, and incidental expenses. In any circumstances, the Chapter reimbursement rate for meals shall not exceed the Navajo Nation established rates. Lastly, section VIII.I.7 states that the Chapter shall reimburse all necessary transportation expenses for private vehicles, commercial airfare, rental vehicles, and other modes of transportation. Reimbursements shall be made at a rate equal to the least expensive mode of transportation, which is reasonably available. If a personal vehicle is used on Chapter business, employees shall be reimbursed for actual mileage at the Navajo Nation established mileage rate. If the traveler does not provide an odometer reading, the Administrative Assistant is required to use a mileage chart.

Condition

We reviewed 25 travel disbursements and noted the following:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	Description
Travel reimbursements totaling $6,831.91	25	For 14 travel disbursements reviewed, the travel advance was paid at 80%, more than 50% of total estimated cost of travel, resulting in over-reimbursements of $622.31.
		For four of 25 travel disbursements reviewed, the per diem amount was reimbursed at amounts above the maximums established by the Navajo Nation Office of Management and Budget, resulting in an over-reimbursement of $92.
		For three of 25 travel disbursements reviewed, the reimbursement was for less than total mileage or was not reimbursed at the correct reimbursement rate, resulting in an over-reimbursement of $122.
		Nine travel transactions reviewed were for $500 monthly stipends paid to the Chapter Manager and Administrative Assistant for a monthly travel allowance for conducting Chapter business, rather reimbursing for actual mileage driven. This resulted in a net over-reimbursement of $13.95.

Effect

The use of $850 in Chapter funds were not supported.

Cause

The Chapter Manager and Chapter Officials did not verify documentation prior to authorizing the disbursements. The Administrative Assistant did not calculate, and the Chapter Manager did not verify travel advances were paid in accordance with policy. The Chapter Manager and Administrative Assistant were not aware of the requirement to be paid for actual mileage driven rather than a stipend.

Recommendation

1. The Administrative Assistant should follow approved policies to only provide travel advances at 50% of the total travel cost when requests are made. The Chapter Manager and officials should verify only 50% is provided prior to approving the disbursement.
2. The Chapter Manager and officials should stay up to date on guidance from the Navajo Nation Office of the Controller regarding reimbursement maximums.
3. The Chapter Manager and Administrative Assistant should use Chapter vehicles whenever possible to conduct Chapter business, and should be reimbursed at the actual mileage amounts, rather than a flat stipend rate.

Finding XI: Federal or Chapter procurement guidelines were not adhered to.

Criteria

Procurement Management Policies and Procedures section V.K.3. states for any purchase from $10,001 to $50,000 total purchase, the Administrative Assistant shall obtain three (3) or more written quotations from different vendors.

Uniform Guidance at 2 CFR 200.214, 2 CFR Part 180, and Treasury's implementing regulations at 31 CFR Part 19, prohibit recipients from entering into contracts with suspended or debarred parties.

Condition

Written quotes were not obtained for three of five vendors reviewed with purchases totaling $96,892. Additionally, the Chapter hired a contractor with ARPA funds for housing projects and did not maintain documentation the vendor is not suspended or debarred using sam.gov.

Effect

When procurement procedures are not followed, the Chapter prohibits competition and transparency, which may lead to the purchase of less effective or more costly goods and services. The Chapter is not in compliance with Chapter procurement policies and procedures and federal guidelines.

Cause

The Chapter Manager considered the vendors as sole source vendors, but did not have documentation to support that conclusion. The Chapter Manager was unaware of the federal suspension and debarment requirement for purchase contracts over $25,000.

Recommendation

1. The Chapter Manager should refrain from utilizing sole source procurements when competition exists.
2. The Chapter Manager and Chapter officials should verify three written quotes were obtained prior to approving the purchase and signing the check.
3. The Chapter administration should request training on the federal procurement rules from the Fiscal Recovery Fund office and should utilize sam.gov to verify a vendor is not suspended or debarred prior to executing a purchase over $25,000.

Finding XII: The Chapter did not have policies for Community or Funeral Assistance disbursements.

Criteria

Fiscal Policies and Procedures Manual section VII.K. stipulates that the Chapter Manager is authorized to approve requests by simply complying with respective budgets which have been approved by the Chapter membership, and all financial assistance shall comply with applicable policies and procedures.

Condition

The Chapter did not establish financial assistance policies for Community and Funeral assistance. As a result, two disbursements selected totaling $150 could not be evaluated for compliance.

Effect

Lack of policies and procedures will contribute to inconsistent decision-making and possible misuse of funds or favoritism.

Cause

The Chapter was unaware of the lack of policies and procedures in these areas.

Recommendation

The Chapter Manager should establish financial assistance policies for Community and Funeral assistance. After development, the policies should be approved through resolution by community membership.

Finding XIII: Transactions were not coded in accordance with the Chart of Accounts.

Criteria

Fiscal Management Policies and Procedures section VI.A.2. states the Chapter shall have a records system capable of identifying the source and use of funds. Further, the Fiscal Management Policies and Procedures section VIII.B.1.e. states the Chapter chart of accounts shall be used to determine the appropriate accounts to which the disbursement will be charged.

Condition

The following coding errors were noted during the audit:

Audit Area and Total Amount of Transactions Reviewed	Number of Transactions Reviewed	GL Account Code Used	Description	Amount
General disbursement selections totaling $34,175.23	23	6300 - Office Supplies	A wood purchase was coded to 6300 - Office Supplies rather than 6353 - Purchases Wood account code.	$ 282.75
		6303 - Operating Supplies	An individual mileage reimbursement was coded to 6303 - Operating supplies, rather than 6203 - Mileage.	139.36
		6603 - Other Professional fees	An employee was paid for work performed for the ARPA federal program. This was coded to 6603 - Other Professional Services, rather than 6100 - Salaries and Wages.	1,000.00
NN sales tax consulting fees disbursement selections totaling $13,129.46	29	6600 - Consulting fees	Employees invoiced the Chapter for work performed for the ARPA federal program. This was coded to 6600 - Consulting fees, rather than 6100 - Salaries and Wages.	12,518.46
Community and funeral assistance disbursements totaling $7,937.12	6	6720 - Financial Assistance - Community	The Chapter purchased fuel, provided funeral assistance, and paid a temporary worker for wood and coal distribution. The expenditures were coded to 6720 - Financial Assistance - Community, rather than 6321 - Gasoline, 6722 - Financial Assistance - Funeral, and 6101 - Temporary Salaries.	5,187.12
Other disbursement	1	6802 - Equipment	The Chapter purchased a software subscription. The expenditure was coded to 6802 - Equipment, rather than 6305 - Dues and Subscriptions.	112.01
			TOTAL	$ 19,239.70

Effect

Lack of accuracy in coding results in misstated reporting to internal stakeholders and misstated financial statements.

Cause

The coding errors were the result of the misapplication and misunderstanding of the chart of accounts by the Administrative Assistant and the lack of a review of transactions by the Chapter Manager.

Recommendation

1. The Administrative Assistant should consult the chart of accounts when preparing a FAF and the Chapter Manager should consult the chart of accounts when approving the FAF.
2. The Chapter Manager should perform an independent review of posted transactions for adherence to the chart of accounts.

Finding XIV: The Chapter is not in compliance with the Office of Navajo Tax Commission.

Criteria

The Tax Administration Regulations, section 1.146.D. state in order to be considered filed with the Office of the Navajo Tax Commission, for purposes of determining timeliness of filing, an actual, original signed return or report must be submitted to the Office of the Navajo Tax Commission. The submission of facsimiles, PDF filings, or other types of email or electronic filing will not constitute filing. Per the Office of the Navajo Tax Commission, the due dates for sales tax filings are February 15th, May 15th, August 15th and November 15th.

Condition

As of April 15, 2025, the Chapter is registered and not in compliance with Tax Administration Regulations. The Chapter did not file Form 100 for calendar year 2024 and the sales tax return for 3rd quarter 2024 was not timely filed or paid.

Effect

The violation may result in the assessment of fines or penalties to the Chapter, which is not a prudent use of Chapter funds.

Cause

The Chapter Manager indicated that they were working to resolve internal reporting errors before completing the filings with the Office of the Navajo Tax Commission.

Recommendation

The Chapter Manager should verify that sales tax filings and payments are remitted in accordance with the Navajo Tax Commission regulations.

Appendix

Background

The Navajo Nation Office of the Auditor General engaged Heinfeld, Meech, & Co. P.C. to perform an internal audit of the Pinon Chapter for the 12-month period ended March 31, 2025.

Pinon Chapter is a political subdivision of the Navajo Nation and is considered a general-purpose local government for reporting purposes. The Pinon Chapter is located within the Chinle Agency of the Navajo Nation.

The Pinon Chapter operates under a five-management system with policies and procedures addressing five key system components: fiscal management, personnel management, property management, records management, and procurement. The authorities, duties and responsibilities of the Pinon Chapter are enumerated in Title 26, Local Governance Act (LGA) of the Navajo Nation Code. Pinon Chapter has been LGA certified since 2012.

The local chapter government is managed by the Chapter Manager with administrative support provided by an Administrative Assistant (AA). The Chapter Manager has been in this position at the Chapter for 16 years and the current Administrative Assistant has been with the Chapter for over 30 years. Oversight is provided by the elected chapter officials comprised of the President, Vice-President and Secretary/Treasurer. Additional oversight is provided by the Navajo Nation Division of Community Development/ Administrative Service Centers (ASC).

The majority of the Chapter's resources are provided through appropriations from the Navajo Nation central government. Other revenue is generated from miscellaneous user charges assessed by the Chapter for services and/or goods provided to its community members. During the year under audit, the Chapter received ARPA funds from the Navajo Nation.

Objective

The objective of the internal audit was to evaluate the Chapter's internal controls; how well controls are designed, implemented, and operated to meet the Chapter's objectives in the following areas:

1. Financial transactions are authorized, valid, and properly recorded to permit the preparation of financial statements and other financial reports.
2. Assets are safeguarded against loss or misuse.
3. Chapter activities addressed by the five-management system comply with applicable laws and regulations.

Audit Methodology

In meeting the audit objectives, we interviewed the Chapter administration and officials and examined available records. More specifically, we tested samples of cash receipts, payroll and nonpayroll disbursements including capital disbursements, financial assistance disbursements, and travel disbursements for internal controls and compliance requirements by using a non-statistical, judgmental method.

Chapter Response

PIÑON CHAPTER
Post Office Box 127 • Piñon, Arizona 86510 • (928) 725-3710/3711 • FAX (928)725-3712

TO:

Jeanine Jones, Auditor General

Navajo Nation Office of the Auditor General

PO Box 708

Window Rock, AZ 86515

RECEIVED
SEP 19 2025
OFFICE OF THE AUDITOR GENERAL

FROM:

Sharon A-Begay, Chapter Manager

Bill Yazzie, Chapter President

Tylee Tom, Chapter Vice-President

Ramona Nalwood, Chapter Secretary Treasurer

DATE: September 08, 2025

RE: Response to the Pinon Chapter Internal Audit

Dear Ms. Jones,

Pinon Chapter has received and reviewed the final draft of the Internal Audit on August 25, 2025. We, the Chapter Officers and Chapter Administration agree with the audit findings and will formally begin the process of the Corrective Action Plan based on the recommendations provided by your office.

Pinon Chapter is committed to correcting all of the listed findings. We will work closely with Chinle ASC Office and other entities to ensure we remain in good standing as a LGA Certified Chapter while implementing our Five Management System and Alternative Form of Government.

If you have any questions or concerns, please contact us.

PIÑON CHAPTER
Post Office Box 127 • Piñon, Arizona 86510 • (928) 725-3710/3711 • FAX (928)725-3712

Office of the Auditor General - The Navajo Nation internal audit of Pinon Chapter for the 12-month period ended March 31, 2025 Finding:

Response from Management

Finding I: The Chapter's audits are not current and have not been issued timely.
Response: Our chapter did advertise for an auditor in the Navajo Times for 2 weeks twice. We did not receive any bids. We will solicit for another Auditor.
Recommendation
1. The Chapter Manager should reissue the request for proposal to solicit for a certified public accountant.
2. The Chapter Manager should work to obtain an audit of the most recent fiscal year and should share the results of the audit with chapter stakeholders, such as Chapter officials and community members.
Management will take the above 2 recommendations and solicit a proposal for an auditor.

Finding II: Cash receipts were not tracked according to Chapter policies and deposits were not made timely.
Response: We no longer use the receipt books. We have been using a cash register for better accountability of cash received. *We are in the process of updating our outdated Fiscal policies.*
Recommendation
1. The Chapter's current procedures indicate a two-copy pre-numbered cash receipt should be utilized to document all cash receipts at the Chapter. If the Chapter opts to use a cash register, this change in procedure should be updated in the Chapter's fiscal policies. A Department of Justice review should be requested and after the review, the policies can be presented to the community for approval.
2. The Chapter Manager should verify that deposits occur no more than ten days after the receipt of monies.
3. The Chapter Manager should investigate and resolve any deposit discrepancies that arise in a timely manner.
Management will take the above recommendations

Finding III: The Chapter's balance sheet and income statement included negative assets, liabilities, and expenditures.
Response: This came about due to trying to VOID payroll checks. The ASO from ASC came to the chapter many times to assist us in fixing this problem. Most recently, we had the SPPS from ASC to fix this again. It was deemed fixed many times but it would resurface later in our system. Most recently we contacted the MIP Consultant, who found the problem and fixed the problem. But also note that the negatives became negative from trying to fix a voided check by MIP reversal. We will take better routes in taking care of voiding payroll checks in the future.
Recommendation
1. The Chapter officials, the Chapter Manager, and the Administrative Assistant should review Balance Sheet and Income Statement line items monthly for accuracy. Negative balances should be investigated.
2. The Chapter Manager and Administrative Assistant should work with the ASC office to resolve the negative balances within the accounting records.
3. The Chapter Manager should verify that checks voided in a fiscal year subsequent to when

written are recorded to a revenue account rather than as a negative expenditure in accordance with GAAP.
Management will take the above recommendations

Finding IV: Capital asset and depreciation records are not up-to-date resulting in incomplete reporting to the community.
Response: We will enter depreciation on our assets for proper valuation in the future.
Recommendation
1. The Administrative Assistant should identify capital asset purchases as initiated and enter the asset and related information into the MIP asset module. The Chapter Manager should verify updates to the MIP asset module monthly.
2. The Chapter Manager and Administrative Assistant should in MIP periodically for proper Balance Sheet reporting.
Management will take the above recommendations calculate depreciation of assets.

Finding V: American Rescue Plan Act (ARPA) funds were used to pay current employees "Consulting fees" to avoid payment of employment related taxes.
Response: We would like to clarify that consultants were issued 1099 forms and were therefore responsible for handling their own tax obligations. At no point did the Chapter intentionally classify individuals as consultants in an effort to avoid paying employment-related taxes. The responsibility for tax reporting and payment was appropriately placed on the individuals who provided services. Consultants are responsible for paying their own taxes when 1099s are issued therefore we did not pay consulting fees to avoid paying taxes. Regarding current employees who received additional compensation, these payments were issued for work performed outside the scope of their regular duties. Proper Personnel Action Forms (PAFs) and agreements were in place to document the nature of this work. However, we acknowledge the concern and, as of December 2024, have discontinued this practice will explore other venues as recommended. We will work with our Chapter officials to explore other compliant avenues for providing additional compensation, such as bonuses, in alignment with our Personnel Policies and Procedures.
Recommendation
1. The Chapter Manager and Chapter officials should review the SRA documents prior to initiating and authorizing expenditures from ARPA funds.
2. The Chapter Manager and Administrative Assistant should obtain training on DOL guidelines for evaluating employee versus independent contractor treatment.
3. Exempt employees may be required to pay back the duplicate earnings the exempt employees were not entitled to receive.
4. The Chapter Manager and Chapter officials should review the Personnel Policies and Procedures to determine other avenues, such as a bonus, for providing additional compensation to exempt employees.
Management will take the above recommendations

Finding VI: Disbursement transactions lacked supporting documentation.
Response: We will correct this finding by making sure the Fund Approval Form and check have the same date instead of the date signed by signers, as well as verify that all supporting documents are attached.
Recommendation

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1. The Administrative Assistant should not prepare a FAF or check without verifying that all supporting documentation for the disbursement is on file (invoice, etc.).
2. The Chapter Manager and officials should verify documentation prior to signing FAFs or checks.
3. The Administrative Assistant should ensure that all documents are filed and kept according to the Chapter's record keeping policies.

Management will take the above recommendations

Finding VII: Personnel file documentation was missing or incomplete.

Response:. The documents were in the file, just stapled to their first payroll paperwork. Chapter staff will make sure all documentation filed appropriately

Recommendation

1. The Administrative Assistant should utilize a comprehensive checklist to ensure each personnel file contains the required documentation.
2. Personnel files should be independently reviewed by the Chapter Manager to verify all required information is included and filled out completely.
3. Chapter officials should verify comprehensive personnel files include documentation prior to signing PAFs for employees.

Management will take the above recommendations

Finding VIII: Banking activities were not administered to ensure Chapter financial activity was reviewed and properly recorded.

Response: Chapter Administrative Assistant will date stamp the bank statement as it is received from the Chapter Manager. Bank reconciliations were completed but we just need to add the date stamp.

Recommendation

1. The Chapter Manager should record the date the bank statements are received, as support that the reconciliations are performed within a day of the receipt of the bank statements.
2. The Administrative Assistant should ensure that reconciliations are signed and dated as prepared before sending them to the Chapter Manager for approval. The Chapter Manager should verify the bank reconciliations are signed and dated by the preparer and then review the reconciliations for completeness and accuracy and sign and date as evidence of approval.
3. The Administrative Assistant should review outstanding checks monthly and issue a stop payment if a check has been outstanding for over 90 calendar days. The Chapter Manager and Chapter officials should verify this is being performed monthly.

Management will take the above recommendations as well as put a time stamp on the Bank statement.

Finding IX: Several Chapter transactions lacked proper authorization.

Response: ***We will make sure the FAF is prepared before the printing of the check.***

Recommendation

1. The Administrative Assistant should prepare a FAF indicating the date, amount, check number, account number and fund availability.
2. The Chapter Manager should review each fund disbursement for necessity, reasonableness and budgetary authorization.

Management will take the above recommendations.

Finding X: Travel authorizations were provided over the established amounts, and reimbursements were not in accordance established rates.

Response: We have taken corrective action by limiting Travel advances to 50% of the total cost, in line with established policy. We are also in the process of updating our outdated travel policy to ensure consistency. The Chapter does not own any Chapter vehicles for business travel therefore personal vehicles are used and mileage is reimbursed based on actual miles traveled. We are in the process of updating our outdated fiscal policy to stay in compliance.

Recommendation:

1. The Administrative Assistant should follow approved policies to only provide travel advances at 50% of the total travel cost when requests are made. The Chapter Manager and officials should verify only 50% is provided prior to approving the disbursement.
2. The Chapter Manager and officials should stay up to date on guidance from the Navajo Nation Office of the Controller regarding reimbursement maximums.
3. The Chapter Manager and Administrative Assistant should use Chapter vehicles whenever possible to conduct Chapter business, and should be reimbursed at the actual mileage amounts, rather than a flat stipend rate.

Management will take the above recommendations

Finding XI: Federal or Chapter procurement guidelines were not adhered to.

Response: We did not violate sole source procurement policies. The purchases were individual transactions under $5,000, made over time from multiple local vendors. While the total exceeded $50,000, no single vendor received sole source treatment. Due to our remote location, vendor options are limited, but we continue to follow procurement guidelines and distribute purchases as appropriately as possible.

Recommendation

1. The Chapter Manager should refrain from utilizing sole source procurements when competition exists.
2. The Chapter Manager and Chapter officials should verify three written quotes were obtained prior to approving the purchase and signing the check.
3. The Chapter administration should request training on the federal procurement rules from the Fiscal Recovery Fund office and should utilize sam.gov to verify a vendor is not suspended or debarred prior to executing a purchase over $25,000.

Management will take the above recommendations.

Finding XII: The Chapter did not have policies for Community or Funeral Assistance disbursements.

Response: We do have a Funeral assistance policy in place. We are in the process of updating our overall outdated policies.

Recommendation

The Chapter Manager should establish financial assistance policies for Community and Funeral assistance. After development, the policies should be approved through resolution by community membership.

Management will take the above recommendations.

Finding XIII: Transactions were not coded in accordance with the Chart of Accounts.

Response: We will consult the chart of accounts and ensure proper codes are used.

Recommendation

1. The Administrative Assistant should consult the chart of accounts when preparing a FAF and the Chapter Manager should consult the chart of accounts when approving the FAF.

2. The Chapter Manager should perform an independent review of posted transactions for adherence to the chart of accounts.
Management will take the above recommendations.

Finding XIV: The Chapter is not in compliance with the Office of Navajo Tax Commission.
Response: We are in compliance with our sales tax filings and payments. The receipt was misfiled.
Recommendation
The Chapter Manager should verify that sales tax filings and payments are remitted in accordance with the Navajo Tax Commission regulations.
Management will take the above recommendations

Overall, majority of the finding have to do with outdated fiscal policies. We have scheduled a work session to addressing and updating the policy to be in compliance.

Thank you

Sharon A-Begay, Chapter Manager
September 08, 2025